App. F. IX-4

Previous References

1934-35 (CS.)

File No. 33/34
Serial Nos. 8

Later References.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 8

Part B for March 1935

SUBJECT.

Copy of the Report of the Proceedings of the meetings of the Committee of State Ministers held at New Delhi on the 13th & 14th January 1935.

WD 01965—GPB—15,000—7-7-34

C PM 213

THE PALACE,

BANGALORE.

22nd March 1935

My dear Sir Mirza Ismail,

I am directed to send herewith for favour of disposal Circular letter No.2 dated the 24th February last and a copy of the Report of Proceedings of the meetings of the Committee of States' Ministers held at New Delhi on the 17th, 18th and 19th January last, received by His Highness from His Highness the Chancellor of the Chamber of Princes.

Yours sincerely,

Amin-ul-Mulk
Sir Mirza M.Ismail, Kt., C.I.E., O.B.E.,
Dewan of Mysore, Bangalore.

Circular letter No. 2.

Motibagh Palace,
PATIALA,
24th February, 1935.

YOUR HIGHNESS,

I write to inform you that the following resolution was passed unanimously at the last session of the Chamber of Princes :—

> "The Chamber of Princes records its heartfelt sorrow at the sad demise of Their late Highnesses the Maharajas of Sirmoor and Dewas (Junior) and the Thakur Sahib of Wadhwan, together with its sense of the loss thereby sustained by the entire Order of Princes and offers its sincerest sympathies and condolences to the bereaved families."

With reference to this resolution I have received a D. O. letter No. D. 576-I. A/35 dated 11th February, 1935, from the Political Secretary to the Government of India which reads as follows :—

> "I write to inform Your Highness that the Members of the family of the late Thakore Sahib of Wadhwan, including K. S. Karansinhji, the Bamasabheba and the Ranisabheba to whom the resolution of condolence was communicated, have expressed the desire that their sense of gratitude for the sympathy expressed in their sad bereavement may be conveyed to the Chamber of Princes."

Trusting Your Highness is in the enjoyment of excellent health,

Yours sincerely,
BHUPINDRA SINGH,
Maharajadhiraj of Patiala,
Chancellor, Chamber of Princes.

Confidential

Report of Proceedings

Committee of States' Ministers

New Delhi,

17*th*, 18*th* & 19*th January*, 1935

NEW DELHI,
Thursday, the 17th January 1935.

I.

The Committee of States' Ministers, which had adjourned at Bombay on the 14th December last, met at the Nizam's Palace at New Delhi on Thursday, the 17th January 1935 at 10 a.m. The following Ministers were present:—

Mr. A. ABBASI, (*Bhopal*).
Sir C. P. Ramaswamy AIYAR, (*Travancore*).
Pandit Amarnath ATAL, (*Jaipur*).
Rai Bahadur S. M. BAPNA, (*Indore*).
Colonel E. J. D. COLVIN, (*Kashmir*).
Sir Akbar HYDARI, (*Hyderabad*).
Sir Liaqat Hyat KHAN, (*Patiala*).
Sir V. T. KRISHNAMACHARI, (*Baroda*).
Sir Manubhai MEHTA, (*Bikanir*).
Mr. K. M. PANIKKAR, (*Patiala*).
Sir Prabhashankar PATTANI, (*Bhavnagar*).
Mr. S. P. RAJAGOPALACHARI, (*Mysore*).
Mr. D. K. SEN, (*Mandi*).
Rao Saheb Y. A. THAMBORE, (*Sangli*).

Sir Akbar Hydari was voted to the Chair.

1. The Chairman informed the Committee that he had received telegrams from Rai Bahadur Surve (Kolhapur) and Dr. P. K. Sen (Mayurbhanj) intimating that they would be arriving only in the evening and would therefore not attend the meeting till the following day.

He also read out Sir Kailas Narayen Haksar's letter, dated the 2nd January 1935, intimating his inability to remain a member of the Committee. The Committee resolved that a reply be sent to Sir Kailas expressing the Committee's regret at this decision but pointing out that, as in the case of all the members, his membership was purely in his personal capacity and not as in any way representing his Government. Inasmuch as Sir Kailas' letter contained comments on the Report of the last proceedings, it was resolved that it be recorded in the Report of the present proceedings.* *Annexure 'A'.

The Chairman further informed the Committee that he had received a telegram from His Highness the Nawab of Bhopal desiring that Mr. Abbasi should serve on the Committee in place of Mr. Shuaib Quraishi. The Committee accepted the nomination of Mr. Abbasi.

2. The Chairman acquainted the Committee with the contents of a letter of appreciation, dated the 9th January, 1935, received from His Highness the Raja of Sangli, and resolved that it be recorded in the Report of the present proceedings.* *Annexure 'B'.

3. The Chairman read out Mr. Abbasi's letter, No. 89, dated the 30th December 1934, suggesting amendments to the Report of the last proceedings in so far as it related to some observations made by him. Mr. D. K. Sen of Mandi had also written correcting a passage in the last Report (Para 3, first day's proceedings) stating that no reply had been received from him to the Chairman's invitation to attend the last meetings in Bombay. The Secretary explained that the reply referred to by Mr. Sen had not been received and it was resolved that both Mr. Abbasi's* and Mr. Sen's† letter be recorded in the Report of the present proceedings.

*Annexure 'C'.
†Annexure 'D'.

4. The Chairman then read out the reply received from His Highness the Nawab of Bhopal, under date the 5th January 1935, to the Chairman's covering letter No. X/36, dated the 20th December 1934, forwarding a copy of the Report of the last proceedings. The Committee approved the reply sent by the Chairman to His Highness and resolved that the correspondence be duly recorded in the Report of the present proceedings.*

*Annexures 'E' and 'F'.

5. Pandit Amarnath Atal proposed that the word "decisions" in line 14 of page 6 of the Report of the last proceedings be substituted by the words "final conclusions." The proposal was accepted.

6. The Committee thereafter proceeded to discuss the constitutional proposals.

Sir Akbar Hydari called the attention of the Committee to the concluding para (62) of the Joint Opinion of Sir William Jowitt and the Chamber's other Counsel on the White Paper proposals. The para in question stated that, as the proposals stood, the gap between what they foreshadowed and what the Princes required seemed very wide. Sir Akbar Hydari remarked that this Opinion, in so far as it could be said to apply to the Joint Select Committee's recommendations, could be verified only by a study of the List of Federal Heads with a view to comparing the sovereign powers enjoyed at present by the States under those Heads with the extent of surrender of those powers implied by accession to them. Sir V. T. Krishnamachari agreed with the suggestion and urged that the credit and debit sides of accession, so far as the States were concerned, should be appraised. Pandit Amarnath Atal was of the view that Counsel's Opinion was generally founded on their "Instructions to Advise," that Counsel in the present case were briefed in a particular manner and that the conclusion arrived at and referred to above should be assessed accordingly. Colonel Colvin, however, thought it would be wise to arrive at a proper appraisal of the credit and debit sides of accession if only to dispel the alarm that might possibly have been caused by the Opinion in question. Sir C. P. Ramaswamy Aiyar agreed and urged the preparation of a comparative statement on the lines indicated by Sir Akbar Hydari. Sir Akbar Hydari remarked that, whatever the conclusions ultimately arrived at in this regard, the overriding consideration was the mode of the States' accession to Federation which should show clearly that, in making over of their own accord the contents of certain specified Heads to the Federal authority, the States would retain the residual and residuary powers in their own sovereign possession.

Sir V. T. Krishnamachari and Sir Manubhai Mehta stated that in the discussions in London this fundamental consideration had been repeatedly emphasised. Sir Liaqat Hyat Khan remarked that the importance of this question still further emphasised the necessity for a timely examination of the Instrument of Accession which should, therefore, be made known to the States as early as possible.

Sir Manubhai Mehta then submitted copies of his remarks on Counsel's Opinion for reference when considering the Opinion.

7. In view of the above discussions, the Committee decided to examine the List of Federal Heads. It was realised, however, that, as much depended upon the wording and precise delimitation of the Subjects in the Bill, only a tentative classification could at present be made of such Heads as were proposed to be made Federal and in respect of which the States at present enjoyed sovereign powers. While, therefore, in this matter perhaps more than in any other, the Bill would have to be carefully scrutinised, the Committee considered that a rough allocation of the Heads proposed as Federal could be made for the present under A, B, and C, taking A to signify Subjects which, even at present, are not within the sphere of the States, C to indicate those which are partly or wholly within the sphere of the States (and which are proposed to be made Federal) and B to signify Subjects which are more or less indeterminate from this point of view.

A statement is accordingly given below of the allocation thus made, followed by explanations in respect of it which the Committee desired to make.

HEADS.

A		B	C	
2	(1)	46 (43)	9	(5)
3	(2)	49-53	11A	(7)
4	(3)	(51-54 and 30)	11B	(8)
6	(46)	63 (60)	13	(10)
7	(47)		14	(11)
8	(4)		25	(21)
10	(6)		26	(22)
12	(9)		28A	(24)
15	(12)		28B	(25)
16	(13)		29	(26)
18	(14)		30	(27)
19	(15)		32	(29)
20	(16)		36	(49)
21	(17)		37	(50)
22	(18)		60	(59)
23	(19)		New items	
24	(20)		(a)	28
27	(23)			
34	(32)			

HEADS—contd.

A		B	C
35	(48)		
38	(33)		
39	(34)		
40	(36)		
41A	(37)		
41B	(38)		
42	(39)		
43	(40)		
44	(41)		
45	(42)		
47	(44)		
57	(31)		
59	(58)		
61	(35)		

EXPLANATION:—

Items No. 1-5 *of the White Paper proposals and the provisions of para.* 238 *of the Joint Select Committee's Report:*—

It was unanimously agreed that all questions relating to State forces and the employment of troops within the States should be considered as Crown and not Federal subjects. Inasmuch as the States would have the right to discuss the rest in the Federal Legislature, this right could be considered as a distinct gain on the present position.

Item No. 7 *of the White Paper proposals or No.* 47 *of the Joint Select Committee's Report:*—

Paragraphs 185 and 186 of the Report state what this item is intended to cover. The draft Bill may be scrutinised in order to see that an extended construction is not placed on it.

Item No. 8 *of the White Paper proposals or No.* 4 *of the Joint Select Committee's Report:*—

International agreements, in so far as they affect non-Federal subjects, should require the concurrence of the States Units. This is also the opinion expressed by Mr. Wilfrid Greene and Mr. C. John Colombos in their Joint Opinion.

Item No. 9 *of the White Paper proposals or No.* 5 *of the Joint Select Committee's Report:*—

Immigration from other Units into the States and control of such immigrants within the States are, generally speaking, at present within the powers of the States.

Item No. 11 (a) *of the White Paper proposals or No.* 7 *of the Joint Select Committee's Report:—*

Extradition to and from the States or to another Federal Unit is dependent at present upon Treaties and arrangements and may continue to depend upon them, only Extradition to and from countries outside India being made Federal.

Item No. 11 (b) *of the White Paper proposals or No.* 8 *of the Joint Select Committee's Report:—*

The transfer between the States and other Federal Units of offenders against Federal law should be treated as a case of Fugitive offenders. The States may decline to accede to this Head.

Item No. 12 *of the White Paper proposals or No.* 9 *of the Joint Select Committee's Report:—*

The addition of the word "routing" to Head 12 (*c*) (IV) of the White Paper proposals should be eliminated; "Tramways" should be excluded from the definition of "Railways"; "responsibility as carriers" should be defined.

Item No. 13 *of the White Paper proposals or No.* 10 *of the Joint Select Committee's Report:—*.

In view of possible future developments, the wording is found capable of too extensive an application.

Item No. 14 *of the White Paper proposals or No.* 11 *of the Joint Select Committee's Report and Item No.* 15 *of the White Paper proposals or No.* 12 *of the Joint Select Committee's Report:—*

There can be no objection to these being Federal, provided on the same footing as Railways. The Maritime States would have to make such reservations in respect of them as they may find necessary.

Item No. 18 *of the White Paper proposals or No.* 14 *of the Joint Select Committee's Report:—*

The Maritime States may have to make such reservations in this regard in their Instruments of Accession as they may consider necessary.

Item No. 20 *of the White Paper proposals or No.* 16 *of the Joint Select Committee's Report:—*

This does not apply to Indian States.

Item No. 21 *of the White Paper proposals or No.* 17 *of the Joint Select Committee's Report:—*

The wording is found too general and needs limitation of Federal authority as regards telephones to trunk lines only. Similarly, Broadcasting within the States may not be federalised and the words "other like services" need being defined.

Items No. 22 *and* 24 *of the White Paper proposals or No.* 18 *and* 20 *of the Joint Select Committee's Report:—*

Where States have got their own Currency or their own Postal arrangements, these Heads will not apply to their Currency or their Post Office Savings Banks.

Item No. 25 *of the White Paper proposals or No.* 21 *of the Joint Select Committee's Report and Item No.* 26 *of the White Paper proposals or No.* 22 *of the Joint Select Committee's Report:—*

The two Heads pertain at present to the States and the wording as given in the Report is far too general to allow of acceptance as it stands. The recognition of the fundamental principle that there will be no discrimination as between one Unit of the Federation and another should be emphasised. The wording of the Bill should be carefully scrutinised with special reference to commercial discrimination in relation to the States.

Item No. 27 *of the White Paper proposals or No.* 23 *of the Joint Select Committee's Report:—*

This is at present, in the case of some States, governed by Treaty and, in relation to them, may continue to be so governed.

Items No. 28*a and b,* 29, 30 *and* 32 *of the White Paper proposals or No.* 24, 25, 26, 27 *and* 29 *of the Joint Select Committee's Report:—*

These Heads belong at present to the States.

Item No. 34 *of the White Paper proposals or No.* 32 *of the Joint Select Committee's Report:—*

This may be recognised as Federal, subject to the rights enjoyed by individuals or individual States.

Item No. 35 *of the White Paper proposals or No.* 48 *of the Joint Select Committee's Report:—*

In the case of States enjoying Treaty rights in this regard, this Head should be governed by the Treaty.

Item No. 36 *and* 37 *of the White Paper proposals or* 49 *and* 50 *of the Joint Select Committee's Report:—*

Powers with regard to these Heads pertain at present to the States. Where there is a particular Treaty in this respect with a State it will be a matter of adjustment in the Instrument of Accession. The extent to which the States will accede to the latter Head will depend upon the financial provisions accepted by the States, specially with reference to the Corporation Tax.

Items No. 49, 50, 51, 52 *and* 53 *of the White Paper proposals or Nos.* 51, 52, 53, 54 *and* 30 *of the Joint Select Committee's Report:—*

These do not appear to be subjects appertaining to the States, but the Bill may be examined in order to ascertain this.

Similarly *Items No.* 46 *and* 63 of the White Paper proposals or *Nos.* 43 *and* 60 of the Joint Select Committee's Report may be further considered in the light of the Bill.

Among the *New Items* proposed by the Joint Select Committee, *Item No.* 28 is at present in the control of the States.

9. At the close of the day's discussions, the following Press Communique was issued by the Secretary for public information:—

"The informal Committee of States' Ministers met to-day, the 17th January 1935, at the Nizam's Palace, New Delhi, for the first time after their adjournment in Bombay in the middle of December last. The following Ministers were present:—

Sir Akbar Hydari, Chairman (Hyderabad), Mr. S. P. Rajagopalachari (Mysore), Sir V. T. Krishnamachari (Baroda), Colonel Colvin (Kashmir), Sir C. P. Ramaswamy Aiyar (Travancore), Rai Bahadur S. M. Bapna (Indore), Sir Liaqat Hyat Khan and Mr. K. M. Panikkar (Patiala), Sir Manubhai Mehta (Bikanir), Mr. A. Abbasi (Bhopal), Sir Prabhashankar Pattani (Bhavnagar), Pandit Amarnath Atal (Jaipur), Mr. D. K. Sen (Mandi), and Rai Bahadur Thambore (Sangli).

The Committee devoted their attention chiefly to the List of Federal Heads as given in the Joint Select Committee's Report with a view to comparing the sovereign powers enjoyed at present by the States under those Heads with the extent of accession to them recommended by the Joint Select Committee.

The Committee propose to deal to-morrow with the expert opinions already obtained by the States on the subject of the Joint Select Committee's recommendations."

NEW DELHI,
Friday, the 18*th January* 1935.

II.

The Committee held its second meeting at the Nizam's Palace when Rai Bahadur Surve (Kolhapur) and Dr. P. K. Sen (Mayurbhanj) were also present.

1. Sir Akbar Hydari referred to paras. 9 (a) and (b), 10, 11, 12, 16, 19 and 20 of Part II of the Report of the last proceedings and, in view of the necessity for expedition, proposed that the Committee, informal as it was and in no sense officially speaking for the Governments of the Ministers present, should forthwith acquaint the Political Department of the Government of India with the tentative conclusions thus arrived at by the Committee. Mr. Panikkar, however, opined that this might involve the question of procedure and, on Sir Akbar Hydari's own suggestion, the Committee resolved, Sir Liaqat Hyat Khan, Rai Bahadur Bapna and Dr. P. K. Sen dissenting, that he should write under his own signature to the Political Secretary to acquaint him with the conclusions of the Committee.*

*Annexure 'I'.

2. It was resolved that, in order that the next session of the Committee should result in conclusions more nearly approaching finality than had been possible at the present stage, the Committee should meet only after allowing sufficient time for considering the Bill and obtaining expert legal advice on it. The Chairman could decide later exactly what date would be most suitable. The venue could be either Bombay or Delhi according as it was most convenient or suitable with reference to the dates eventually decided.

3. The Committee then proceeded to consider the different points urged by the Chamber's Counsel in their Joint Opinion.

Part III (the discussion of Legal Principles) was first taken into consideration. The discussion centred chiefly round the subject of "ancillary" or "incidental" powers of the Federal Court and the principle of the paramountcy or predominance of Federal legislation. Sir C. P. Ramaswamy Aiyar was of the opinion that the Bill should be scrutinised in the light of the development of Case Law in the United States. He also suggested that "ancillary" powers should not follow in the manner pointed out by Sir William Jowitt and his colleages: Sir Manubhai Mehta wondered whether the States could not fence against this danger by means of the Instrument of Accession and Sir Akbar Hydari urged that Counsel's attention should be directed to this point. Rai Bahadur Bapna suggested that this could be possible only if the Instrument of Accession was made to override the Constitution Act. Sir C. P. Ramaswamy Aiyar was of the opinion that this would only partly meet the position and that everything depended upon the exact wording of the List of Federal Heads. Sir Akbar Hydari wondered if American Case Law could really be said to

apply to India as the Units of the proposed Federation differed essentially from the Units of the American Federation. Sir C. P. Ramaswamy Aiyar held that, apart from the question of the applicability of American Case Law to the Indian constitution, there would be a natural tendency on the part of the Federal Court to extend its powers and jurisdiction. Sir V. T. Krishnamachari said that this would probably also be supported by public opinion in the country. *The general sense of the Committee was to await scrutiny of the provisions of the Bill in the light especially of Counsel's reference to the American Supreme Court's decision in the case—State of Rhode Island v. State of Massachusetts* (1838) 12 *Peters* 657—*and, in the event of the provisions of the Bill not being satisfactory, to urge the restoration of the White Paper position with a view to the possibility of limiting the appellate jurisdiction of the Federal Court to the interpretation of the Constitution Act itself.*

With regard to Counsel's view expressed in the last sub-para of para. 29 *of the Joint Opinion (page* 13), *regarding interference in a State which was in itself in perfect order and stability, on account of untoward occurrences in an adjoining State, or in an adjoining Province, or in India as a whole, the Committee was of the opinion that this interference should be by negotiation and consultation rather than by intervention.*

With regard to the implications of para. 31 *of Counsel's Joint Opinion, the Committee was of the view that these were naturally limited to the Federal sphere.*

As regards the important question of Administration, the Committee was of the opinion that the provisions of the Bill should be carefully scrutinised in order to see that the implications of para. 33 *of the Joint Opinion were rendered inapplicable by limiting Federal authority in respect of Federal Heads to policy and legislation only.* Sir C. P. Ramaswamy Aiyar was, however, of the view that legislation, inasmuch as it included rule-making, would tend to limit the reservation made by the States in regard to Administration or execution of such legislation. The same difficulty arose with regard to limiting the original jurisdiction of the Federal Court, as limitations made with a view to narrowing down the scope of this jurisdiction to matters of law might all the same bring all written instruments, and, therefore, even administrative regulations and circulars, within the purview of the Court. In case a State Court declined to accept this jurisdiction in any particular case, the matter could be referred to the Privy Council and, in the event of the Privy Council's decision going against the State Court, the same question would arise again. The matter had, therefore, to be very carefully considered as it involved the sovereignty of the States.

4. Sir C. P. Ramaswamy Aiyar referred to para. 39 of Counsel's Joint Opinion and *the Committee generally agreed with him in considering that the fears expressed with regard to "boycott" and "intimidation" were largely far-fetched.*

5. On the subject of Discrimination, *while emphasising the necessity for providing against the possibility of discrimination against States or subjects of States as a fundamental principle of*

any Federation of which the States could agree to be units, the Committee realised that this might result in a demand for corresponding reciprocity in relation to British India. It was, therefore advisable to proceed with caution in this matter. Sir Akbar Hydari read out extracts from the Hyderabad Counsel's Note on Discrimination and Sir C. P. Ramaswamy Aiyar considered that the opinion expressed therein on para. 352 of the Report required further consideration with a view to avoiding the dangers therein implied. The extract dealing with that para. is given as Annexure 'G.'

6. *On the subject of Companies, the Committee reiterated its view that it was advisable not to federate for Companies. In case Federation was ultimately desired in regard to this subject, it should only be conditional upon the recognition of the rights of the States to exclude such Companies, irrespective of their nationality, as the States did not desire to incorporate within their territories. The Committee was generally of opinion that the position at the first Round Table Conference, when Companies were not proposed as a Federal subject, should be maintained.*

7. *The Committee considered that it would be inexpedient to raise the question dealt with in para.* 44 *of Sir William Jowitt's and his colleague's Joint Opinion.*

8. *On the question of "Fundamental Rights," dealt with in para.* 46 *of the Joint Opinion, the Committee was of the view that any decision with regard to that question would necessarily be dependent upon the exact wording of the Bill.*

9. With regard to para. 58 of the Joint Opinion, dealing with the subject of "Confederation," Rai Bahadur Bapna was requested to explain the Indore scheme which was accordingly elaborated by him.

10. The Committee lastly considered the question of the Corporation Tax, particularly in the light of the observations made by His Highness the Nawab of Bhopal in his letter to the Chairman read before the Committee at its previous meeting.* Sir Akbar Hydari explained that, as against the financial burdens proposed to be charged to the States, all the conditions imposed by the States and enumerated in his own Statement before the Joint Select Committee (*vide* Annexure E of the Report of the last proceedings) had been accepted; some corresponding measure of accommodation appeared, therefore, to be necessary on the part of the States. Mr. Rajagopalachari, however, urged that, unlike Excise duties, the incidence of this particular tax did not fall equally on all the States, and the tax was tantamount to levying a premium on States which were industrialised or were fast becoming so. It was also a direct tax against which the States should guard. Rai Bahadur Bapna also agreed and urged that this particular tax constituted an unfair discrimination in favour of States that had few or no Corporations. Colonel Colvin and Sir C. P. Ramaswamy Aiyar agreed with the objections generally, the latter urging that some States would be vitally affected by this tax. He suggested that the door should be left open for particular adjustments at the time of accession. Mr. Rajagopalachari reiterated the view he had expressed in Bombay in December last

*Annexure 'E'.

that some method should be devised whereby the existing revenues, on which the financial stability of the States depended, should be reserved to the States at the time of entering the Federation. Sir C. P. Ramaswamy Aiyar agreed with this view and laid stress on the fact that, for example, in the case of Travancore, the different financial requirements of Federation would result in a clear financial loss to that State. He presented at this stage an illustrative Statement of this position which has been duly recorded as Annexure H.

The general sense of the Committee was in favour of scrutinising this provision very carefully and of at least providing for particular adjustments with States in this regard at the time of accession.

11. At the close of the day's discussions, the following Press Communique was issued by the Secretary for public information:—

"The Committee of States' Ministers, with the addition of two more members, namely, Rai Bahadur Surve of Kolhapur and Dr. P. K. Sen of Mayurbhanj, who were unavoidably absent from yesterday's meeting, discussed to-day such of the more important constitutional, juridical and economic provisions of the Joint Select Committee's Report as apply to the States and considered them in the light of the expert opinions already obtained on them. While the conclusions arrived at will be embodied in a Report to be considered to-morrow afternoon before the Committee disperse, it may be stated that these will necessarily remain tentative until detailed consideration is paid to the provisions of the Bill and that part of the proposed Instrument of Accession which is intended to be common to all the States. The Committee propose to meet again some time in March when they hope to have in hand the Bill and expert legal opinion thereon and other necessary data for arriving at conclusions more nearly approaching finality than is possible at present."

NEW DELHI,
Saturday, the 19th January, 1935.

III.

1. The Committee considered and, after suitable modifications, approved the Draft Report of the proceedings submitted by the Secretary.

2. Pandit Amarnath Atal proposed that the Committee desired respectfully to thank His Exalted Highness the Nizam for having so graciously permitted the use of his Palace for purposes of the Committee's meetings. The Committee cordially agreed to the proposal.

3. Sir V. T. Krishnamachari proposed a vote of thanks to Sir Akbar Hydari for his able conduct of the proceedings and his valuable guidance as Chairman of the Committee. The proposal was unanimously carried.

4. On the motion of the Chairman, the Committee unanimously resolved to record their deep appreciation of the indefatigable work done as Secretary by Mirza Ali Yar Khan, and of his staff, especially in preparing and submitting so expeditiously a comprehensive and accurate Report of the proceedings.

(Sd.) A. HYDARI,

Chairman.

K. G. Haider Abbasi.
C. P. Ramaswamy Aiyar.
Amarnath Atal.
S. M. Bapna.
E. J. D. Colvin.
Liaqat Hyat.
V. T. Krishnamachari.
Manubhai N. Mehta.
K. M. Panikkar.
P. D. Pattani.
S. P. Rajagopalachari.
D. K. Sen.
P. K. Sen.
D. A. Surve.
Y. A. Thambore.

MIRZA ALI YAR KHAN,
Secretary.

ANNEXURE A.

Confidential.

GWALIOR,
2nd January 1935.

My dear Sir Akbar,

I left Gwalior on 22nd December, taking advantage of Christmas holidays to get a little rest, leaving definite instructions behind that my post was not to be forwarded. I returned yesterday, to find awaiting me your Confidential letter No. X/75 of 22nd December with which you have kindly forwarded to me a copy of the proceedings of the Committee of Ministers which met at Bombay from the 12th to the 14th of December.

May I presume to say that in spite of minor differences of opinion which were inevitable, very solid work was done during these meetings. May I also say that in my humble opinion the alarm evidenced concerning the appellate jurisdiction of the Federal Court is as unwarranted as is unnecessary the insistence upon the right of the States to have recourse to the Federal Court for the adjudication of justiciable issues.

On the former point, Pandit Amarnath Atal's suggestion that expert legal opinion might be obtained, appears to me a happy idea and I hope that the Committee will not consider it necessary to go outside India for obtaining such an opinion. The position is, as you explained [*vide* (*e*) on page 9] and I do not see how the accordance of appellate jurisdiction to the Federal Court in strictly Federal matters can be avoided. From my point of view the provision of such jurisdiction not only follows from the inauguration of a Federal Government, but should be welcomed as likely to have a very salutary general effect so far as to the manning of the Courts of the States is concerned.

As regards the latter point, *i.e.*, the right of the States to go up to the Federal Court for justiciable matters, my reading of the report is that it is implicit in the provisions that have been incorporated in it.

I have been unable to comprehend what is meant by " residuary power regarding Federal Heads."

I have ventured to touch upon these few points because you are all meeting again in Delhi this month and I cannot be present to take any part in the discussions. I trust you received the letter I addressed to you at the Board Room of the Imperial Bank. May I ask you to advise me, as a friend, whether it would not be right for me to address you formally, as Chairman of the Committee, and intimate that I should not be treated as a member of the Committee? Perhaps you will find time to send me a line.

Yours sincerely,
(Sd.) K. N. Haksar.

P.S. Will you permit me to say that I am very much impressed by your definition of " the state of emergency," as contained in the statement which you made before the Joint Select Committee.

(Sd.) K.N.H.

ANNEXURE B.

SANGLI,
9th January, 1935.

My dear Sir Akbar,

I must express my sincere thanks to you for your kind co-option of Rao Saheb Y. A. Thambore on the Ministers' Committee. I am much obliged to you for your assistance which I greatly appreciate.

I have gone through the report of the proceedings of your Committee held in Bombay in December last. I look upon it as a great good fortune of the Indian States, if I may say so, that at this critical juncture they should have, through your distinguished Chairmanship of the Ministers' Committee, the inestimable benefit of the active participation of the Premier State of Hyderabad in the present important deliberations affecting the States as a whole.

With kind regards,

Yours very sincerely,
(Sd.) C. A. Patwardhan.

ANNEXURE C.

Confidential.

BHOPAL, C.I.,
No. 89. *the 30th December*, 1934.

My dear Sir Akbar,

Many thanks for your confidential letter No. X/64, dated the 22nd December, 1934, with its enclosures, two copies each of (1) your letter No. X/36, dated the 20th December, 1934, to His Highness of Bhopal, and (2) Report of Proceedings, Committee of States Ministers.

The proceedings omit to mention the important reservation I had made that the views expressed were tentative and subject to revision, as I had not had time fully to study the Joint Parliamentary Committee Report. On page 12, under 15 (J), instead of the word " objected " I think the phrase " drew attention " would more accurately represent the sense. Again, in the same sub-paragraph for " insisted upon " I would request suitable alteration. What I did say was that transfer of complete responsibility except in the sphere of reserved subjects had been understood, and the States had agreed to Federate on that basis. The position therefore, as outlined in the Joint Parliamentary Committee Report, should be carefully examined from that point of view. Under 18, page 12, " hardly right " should be substituted for " dangerous."

I hope you would oblige me by giving effect to the above corrections.

Yours sincerely,
(Sd.) K. A. Hydar Abbasi.

ANNEXURE D.

OFFICE OF THE CHIEF MINISTER,
MANDI STATE,
Dated the, 8th January, 1935.

Confidential No. 204.

Dear Sir Akbar,

Please accept my very best thanks for your letter of the 22nd December, 1934, enclosing one printed copy of the Report of the Committee of the Ministers which met in Bombay in December last.

May I invite your attention to the following sentence in para. 3 of the Report:—

"No reply had been received from Dewan Bahadur D. K. Sen of Mandi."

This statement does not appear to be accurate, as in my letter No. 7188, dated 13-10-1934 I had definitely informed you that it might not be possible for me to attend any meetings of the Committee if they are held in Bombay.

Yours sincerely,
(Sd.) D. K. Sen.

Sir Akbar Hydari,
FINANCE MEMBER,
The Nizam's Government,
Hyderabad-Deccan.

ANNEXURE E.

QASR-I-SULTANI,
BHOPAL,
5th January, 1935.

My dear Sir Akbar,

In thanking you for the Report of Proceedings received under cover of your letter No. X/36, dated the 20th December, 1934, allow me to express my sincere appreciation of the personal interest you have taken in the work of the Committee of States Ministers appointed by the Bombay Informal Conference.

I have read the proceedings with great interest. As to the line of action now to be adopted, I propose to send the Report of the Informal Committee of States Ministers direct to Their Highnesses, who do not participate in the Chamber of Princes, and through His Highness the Chancellor, to the active Members of the Chamber. After receiving the views of Their Highnesses and of His Highness the Chancellor on behalf of the Chamber, I propose to call again informally a meeting of the Committee to consider and advise how the Princes might proceed in the light of the opinions received. Taking urgency of the matter into consideration, I have requested the Princes to favour me with their views, if convenient, in a fortnight, so that delay may not render nugatory the value of your important labours. I note that you are meeting again sometime in January, 1935, to consider fully the proposals of the Joint Parliamentary Committee Report. Personally, I am in general agreement with the tentative views of your Committee. A comprehensive Note, however, is under preparation for the use of my Government, and I hope to have it ready by the time your Committee meets in January. It may be useful to the Committee. Speaking generally, I am of opinion that the reservations made in your Report will require expansion. Also, that the proposals of the Joint Parliamentary Committee Report in regard to the following matters might further be examined wih due care to ensure.

(*a*) that no incidence of any direct tax falls upon the States,

(*b*) that Corporation Tax is not accepted, (I personally know that to a large number of States this tax will not be acceptable),

(*c*) that provision for exercise by the Governor-General of pressure in regard to alterations in the Land Customs tariffs is removed. (This was never agreed to by any representative of the States, nor was it, if I remember aright ever discussed),

(*d*) that in serious financial stress, the States' contribution to the federal fisc to be fixed by the British Parliament as a fair counterpart of the yield of the surcharges in British India is substituted with certain agreed excises.

There are a number of other items which in my opinion require further consideration. I have drawn your attention here only to a few of them by way of illustration, and trust that you will find it possible to agree with me in regard to the points mentioned above.

I need not re-state my views about Federation. You know I am one of its staunchest supporters. I shall continue to support it, provided the States secure their essential safeguards in the Constitution, and they obtain what they have always considered as their *sine qua non*. I am very glad indeed to see that the Joint Parliamentary Committee Report has done a great deal to meet the point of view of the States, but there still are a few points which must be incorporated in the Constitution, and a few things which should be deleted from the Report to make the Bill in my opinion acceptable to a large number of Princes. This will not be difficult if there is unity amongst us. I know we have the sympathy of Sir Samuel Hoare and Lord Willingdon and with their help much can still be achieved.

It only remains for me to request you kindly to convey my sincere thanks to your colleagues, members of the Committee of Ministers, for their labours, and for the trouble they have taken in dealing with these intricate problems.

I shall be most grateful if you would kindly arrange to furnish me with roughly 125 printed copies of your Report so that I may distribute them among the Princes without delay.

With renewed thanks and kind regards,

Yours sincerely,
(Sd.) Hamidulla Khan.

ANNEXURE F.

FINANCE MEMBER,
H.E.H. the Nizam's Government,
Hyderabad-Deccan,
14th January, 1935.

No. X/27

Your Highness,

Thank you very much for your kind letter of the 5th January 1935, and your gracious appreciation of our work in the Committee of States' Ministers.

It is no small pleasure to me to learn that Your Highness read the Proceedings of the Committee with great interest. I have noted the procedure Your Highness proposes to adopt with regard to obtaining the opinions of the other Princes on the Report we submitted. As desired, I am sending under separate cover one hundred and twenty-five copies of the Report.

I am glad Your Highness is in general agreement with the tentative views of our Committee and I shall be looking forward to reading the comprehensive note, which you mention as being under preparation for the use of Your Highness' Government and our Committee.

The points raised by Your Highness as requiring further examination are most important and I shall of course have the pleasure of acquainting the Committee with your views thereon in order to get them examined in greater detail.

I shall be in Delhi from the 16th to the 20th instant, my address being

Nizam's Guest House,

Asoka Road.

With deep respects,

Yours sincerely,
(Sd.) A. Hydari.

ANNEXURE G.

Hyderabad Counsel's Opinion on Para. 352 *of the Report.*

It is to be remembered that under paragraph 352 of the Report U. K. companies are by virtue of the Constitution itself to be deemed to have complied with any Indian law relating to the place of incorporation of companies trading in India, or to the domicile, etc., of the directors, etc. If, therefore, under the State law there is any kind of company whatsoever which is authorised to trade in the State provided it fulfils certain conditions as to incorporation, or domicile of directors, etc., the U.K. companies will be entitled to the same privilege. Any law enacted in the State denying them the privilege will be unconstitutional and *ultra vires*, and any administrative measure for the same purpose will be disallowed by the Viceroy.

ANNEXURE H.

Sir C. P. Ramaswamy Aiyar's Statement.

Paragraph 260:—

Salt is an article of Government monopoly in Travancore and, by the agreement of 1865, the State agreed to adopt the British Indian selling price of salt. British Indian Salt is to be imported on the same terms on which it is imported into British Indian ports, Travancore levying the British Indian rate of duty. The entire duty levied on Salt is retained by the Travancore Government and there are no restrictions on the manufacture of salt in the State. The revenue derivable from this item in 1929-30 was 18·75 lakhs (at present 22 lakhs). In dealing with item 35 at page 152 of the List of Federal Subjects, these facts must be borne in mind and the freedom of the State in regard to the import, manufacture and sale of Salt has to be preserved intact.

Item 36, *Tobacco*:—

In Travancore, Tobacco was formerly regulated on a monopoly system but has been replaced by the imposition of a duty. The right of the State to impose special rates of duty on Tobacco imported into Travancore was recognised and the restriction imposed by the Convention was definitely not applied to Tobacco. The revenue derived by the State under this head in 1929-30 was about 20 lakhs on an average per year (at present 25 lakhs).

In regard to Opium and Ganja also (falling under the same item), there is an arrangement in existence between the State and the British Government whereby the duty leviable on the quantity brought into the State for consumption is refunded to the Travancore Government by the British Government, the rebate of duty thus allowed being on an average about 3½ lakhs per year. The total receipts under licence fee and duty in respect of Opium and Ganja during the year 1929-30 was over 8 lakhs.

Item 21, *Postal Service*:—

Travancore has its own State Postal system. The State Postal stamps are operative within the Travancore territory and the system itself is very cheap and intended to serve domestic needs. British Indian Postal stamps are available in the State for correspondence outside the State and the revenue derived under British postage goes to the British Government. There are 111 British Post Offices and over 300 State Post Offices.

Item 22, *Currency*:—

The same observations apply to the State Currency. The freedom of Travancore to mint its own coins is maintained and minting goes on to a certain extent but in practice the British coins are also current in the State as legal tender.

Item 24, *Post Office Savings Banks*:—

Travancore has her own Post Office Savings Banks and the volume of business transacted in the State Savings Banks is just over 60 lakhs whereas British Indian Savings Banks do business to the extent of 5 lakhs.

In regard to the items proposed to be hereafter treated as Federal sources of revenue, the estimated revenue accruing to Travancore at present is as follows:—

Customs (Import and Export duties)	..	47 lakhs.
Tobacco	..	25 „
Salt	..	22 „
Proposed Excise duty on Matches and Sugar	.	11 „

Allowing about 10 lakhs for normal expansion of revenue between the present date and the date when Federation will take effect, (say three years), the total is about 115 lakhs.

The Income tax yield is just over 5 lakhs.

In view of paragraphs 31, 264 and 265 of the Joint Parliamentary Committee Report, relating to Maritime States and Customs, the following conspectus of the position of a State like Travancore would be useful for the purpose of showing the departure that the suggestions in the above paragraph would make from the existing position:—

The Import revenue that the State now derives is approximately Rs. 2,85,279. Until 1865, the Travancore Government was free to levy its own rate of Import and Export duties on goods entering or leaving her frontiers. In 1865, a Convention was entered into with the British Government under which the State agreed to admit free of duty all goods which are the manufacture or produce of British India or which when imported into British India had paid duty there. The Travancore Government also agreed, except in the case of certain specified articles, to adopt the British Indian tariff in respect of Imports direct to her own ports. In consideration of the surrender by Travancore of her right to levy Import duties on foreign goods entering the territory after having paid duty in British India, the British Government agreed to compensate the State to the extent of the probable loss sustained on this account. The interpretation and the claim for a revision of the compensation under this agreement are matters now pending before the Government of India.

Under the same International Convention of 1865, the right of Travancore to levy Export duty on her produce was left *unimpaired* subject to certain maxima limits. From such Export duties, the Travancore Government derives a revenue of more than 28 lakhs and it would be difficult to replace this item by any fresh source of revenue. The articles of export from Travancore in respect of which such duties are levied are mainly those in regard to which Travancore possesses complete or partial monopoly such as copra, coir and tea. Paragraph 265 of the Joint Parliamentary Committee Report would, therefore, have to be modified with due advertence to the rights which Travancore at present has and those which she might establish on a proper construction of the Interportal Convention aforesaid. In addition to this, there is, in respect of Customs duties, another agreement entered into between the Travancore and Cochin Governments with the Government of India and the Madras Government under which certain arrangements have been entered into with

regard to the development of the Cochin Harbour and the division of profits arising therefrom, including Customs duties levied therein. This agreement is dated 1925 and has also to be taken into account in dealing with the subject referred to in paragraph 265. It may be stated that the working out of this agreement is at present the subject of discussion between the Governments concerned.

NOTE:-

The following letters to Sir Bertrand Glancy, His Highness the Nawab of Bhopal and Sir Kailas Narayen Haksar were issued after the Committee dispersed and are attached as Annexures I, J and K respectively for information and record.

MIRZA ALI YAR KHAN,
Secretary.

ANNEXURE I.

Camp: NIZAM'S GUEST HOUSE,
Asoka Road, New Delhi.
19*th January* 1935.

My dear Sir Bertrand Glancy,

You know an Informal Committee was appointed in Bombay at the instance of His Highness the Ruler of Bhopal to consider the Joint Select Committee Report. As the discussions on the Joint Select Committee may be helpful to you and the matter is of some urgency, I enclose for your information copies of the proceedings regarding some of the proposals brought under discussion before the Committee.

I need not add that the views expressed are only tentative and are not binding on the States concerned.

Yours sincerely,
(Sd.) A. HYDARI.

The Hon'ble Sir Bertrand Glancy, K.C.S.I., C.I.E.

ANNEXURE J.

Camp: NEW DELHI,
21*st January* 1935.

Your Highness,

The Committee of Ministers concluded their meeting yesterday and I have now much pleasure in submitting to Your Highness a type written copy of the Report of their proceedings which I hope will be of some use to Your Highness in indicating the views held by the Ministers in respect of some of the more important recommendations of the Joint Select Committee.

As Your Highness will note from the enclosed, the Committee propose to meet again as soon after the appearance of the Bill as possible so that they may arrive at conclusions in respect of it more closely approaching finality than was possible at the present stage in relation to the Joint Select Committee's Report.

I shall send Your Highness as many printed copies of the Report as you may require immediately after getting back to Hyderabad.

With respects,

Yours sincerely,

(Sd.) A. HYDARI.

His Highness the Nawab of Bhopal,
New Delhi.

ANNEXURE K.

Hyderabad-Deccan.
30*th January* 1935.

My dear Sir Kail

I placed your letter of the 2nd January, 1935, before the Committee of Ministers at New Delhi and the Committee has desired me to express to you its deep regret at the decision you have taken as regards your membership. As it is likely that this decision was influenced by considerations of your official position, the Committee has desired me to explain to you that your membership of it, as was all along understood in the case of each Minister, was purely in your personal capacity and not as representing in any way the State which you serve. May I in conclusion reiterate the Committee's regret and my own as your presence might have proved of valuable assistance to us.

Yours sincerely,
(Sd.) A. HYDARI.

GOVERNMENT CENTRAL PRESS, HYDERABAD-DECCAN.